

Message Text

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ACTION ARA-10

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E.O. 11652: GDS

TAGS: MASS, HO

SUBJECT: FY 1977 MILITARY SECURITY ASSISTANCE PROGRAMS - HONDURAS

REF: STATE 036160 (DTG 131859Z FEB 76)

1. WE ANTICIPATE GOH WILL ACCEPT AND CONSUMMATE CREDIT AGREEMENT AT INDICATED LEVEL IF APPROVED BY CONGRESS.

2. MAJOR ITEMS TO BE PROCURED IN PRIORITY ORDER AS DETERMINED BY COUNTRY TEAM:

HOWITZER, TOWED H101A1	10 EACH
RECOILLESS RIFLE, 106MM, M40A1	10 EACH
TRUCK CARGO 5 TON, M54A1	5 EACH
LANDING CRAFT LCM-8	1 EACH
HELICOPTER UH-1H	2 EACH

3. PROVISION OF CREDIT WOULD GENERALLY SUPPORT THE MILITARY REQUIREMENTS OF INTERNAL DEFENSE DERIVED FROM U.S. APPROVED FORCE GOALS.

4. GENERAL STRENGTHENING AND MODERNIZATION OF THE ARMED FORCES SHOULD PROMOTE GREATER INTERNAL STABILITY.

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5. THE CREDIT PROGRAM IS GENERALLY SUPPORTIVE OF GRANT TRAIN-

ING PROGRAMS IN THE STRENGTHENING AND MODERNIZATION OF THE ARMED FORCES OF HONDURAS.

6. THERE ARE TWO RELEVANT POLICY CONSIDERATIONS FOR PROVISION OF CREDIT:

A. "EVEN-HANDEDNESS" TREATMENT OF HONDURAS AND EL SALVADOR.

B. MAINTENANCE OF A POSITION OF PREDOMINANT U.S. MILITARY INFLUENCE WITH THE HOST COUNTRY MILITARY.

REGIONAL STABILITY AND INDEPENDENT SELF-SUFFICIENCY IN MAINTAINING INTERNAL ORDER ARE U.S. OBJECTIVES VIS-A-VIS HONDURAS.

7. HONDURAS, BEHIND EL SALVADOR IN QUANTITY AND MODERNIZATION OF MILITARY EQUIPMENT, IS TRYING TO GAIN A MORE BALANCED POSITION. THE EXTENT OF U.S. ASSISTANCE MAY AFFECT THE REGIONAL ARMS BALANCE. RELATIVE TO THE TERM "ARMS RACE", ACQUISITIONS BY BOTH SIDES HAVE BEEN PROMPTLY OFFSET BY FURTHER PURCHASES. EXAMPLE: EL SALVADOR, EIGHTEEN (18) OURAGANS; HONDURAS, TWO (2) REBUILT F-86-A, SIX (6) A-37S AND PROGRESS TOWARD ACQUISITION FROM THIRD COUNTRIES OF ADDITIONAL COMBAT AIRCRAFT. U.S. POLICY OF "EVEN-HANDEDNESS" WITH RESPECT TO THESE TWO COUNTRIES, THEREFORE, IS OF GREAT IMPORTANCE.

8. THERE IS A DEMONSTRABLE NEED FOR MILITARY CREDIT ASSISTANCE.

9. THE REPAYMENT OBLIGATION, BECAUSE OF THE SMALL SIZE OF THE LOAN, IS UNLIKELY TO PLACE AN UNDESIRABLE BURDEN ON THE COUNTRY'S FOREIGN EXCHANGE RESOURCES, OR PRODUCE EXCESSIVE CLAIMS ON FUTURE BUDGETS OR OTHERWISE INTERFERE WITH ITS DEVELOPMENT. IT IS THE OPINION OF THE PRESIDENT OF THE CENTRAL BANK THAT HONDURAS HAS UTILIZED ITS FOREIGN BORROWING POSITION TO NEAR THE LIMIT DICTATED BY SOUND MONETARY AND FISCAL POLICY. THE BULK OF THIS BORROWING HAS OCCURRED DURING THE PAST YEAR IN CONNECTION WITH HURRICANE FIFI RECONSTRUCTION, AND SUPPORT OF THE NATIONAL DEVELOPMENT PLAN. MOST BORROWING HAS BEEN CONTRACTED THROUGH THE INTERNATIONAL FINANCIAL INSTITUTIONS AND OFTEN IS LONG-TERM REPAYMENT. AS A MATTER OF TRADITIONAL POLICY, HONDURAS HAS NOT UTILIZED SHORT-TERM BORROWING TO PAY FOR CURRENT CONSUMPTION AND, THEREFORE, HAS

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MAINTAINED A STRONG FOREIGN EXCHANGE POSITION.

10. TEN (10) F-86 AIRCRAFT ARE BEING PURCHASED FROM YUGOSLAVIA AND ARE DUE TO ARRIVE IN HONDURAS IN MID-1976. GOH HAS REPORTEDLY PURCHASED EIGHT (8) T-28D AIRCRAFT FROM MOROCCO. ADDITIONALLY, THE FOLLOWING "PACKAGE" OF AIRCRAFT IS REPORTEDLY BEING PURCHASED FROM ISRAEL: FIVE (5) MYSTERE SUPERSONIC FIGHTERS, FOUR (4) ARAVA STOL TRANSPORTS, AND ONE (1) WESTWIND

JET TRANSPORT. UNSUBSTANTIATED REPORTS HAVE IT THAT THE ARMY
OF HONDURAS IS TO ACQUIRE ADDITIONAL GROUND COMBAT ARMS FROM
THIRD-COUNTRY SOURCES.
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